

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY PARIS PRIORITY

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PLEASE PASS ASSISTANT SECRETARY ENDERS

FOLLOWING REPEAT RANGOON 918 ACTION SECSTATE BANGKOK 08 APR

QUOTE

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E.O. 11652: N/A

TAGS: EALR, EAGR, BM

SUBJECT: RICE DEVELOPMENTS

1. AS 1974-75 RICE SEASON DRAWS TO A CLOSE, PRELIMINARY ESTIMATES INDICATE THAT TOTAL PADDY CROP WILL BE APPROXIMATELY 8 MILLION TONS, UP SOMEWHAT FROM EARLIER PREDICTIONS. HARVEST HAS APPARENTLY BEEN BETTER THAN EXPECTED AND THERE WAS EVIDENTLY SOME SUCCESS IN REPLANTING THOSE AREAS DAMAGED BY LAST AUGUST'S FLOODS.

2. GUB PROCUREMENT OF RICE FOR ITS OWN DISTRIBUTION SYSTEM AND FOR EXPORTS HAS BEEN CONSIDERABLY MORE SUCCESSFUL THIS YEAR THAN LAST. IT IS NOW ESTIMATED THAT SOME 130 MILLION BASKETS OF PADDY (2.67 MILLION TONS EQUIVALENT TO ABOUT 1.65 MILLION TONS OF MILLED RICE) WILL BE COLLECTED BY THE END OF APRIL, STILL SHORT OF THE PURCHASING TARGET OF 146 MILLION BASKETS AND SLIGHTLY UNDER THE 2.8 MILLION TONS PADDY COLLECTED IN 1973. IT IS A SIGNIFICANT IM-

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PROVEMENT OVER THE 1974 COLLECTION HOWEVER, WHEN ONLY 72 MILLION

BASKETS HAD BEEN PROCURED BY THE GOVERNMENT BY THIS TIME OF THE YEAR. THE INCREASE IN COLLECTIONS IS DUE TO A COMBINATION OF FACTORS INCLUDING THE FIFTY PERCENT INCREASE IN PRICES PAID TO FARMERS, EXTRA BONUSES FOR DELIVERIES OVER THE BASIC QUOTAS AND, ON THE OTHER SIDE OF THE COIN, STRONGER PRESSURE FROM PEASANT COUNCILS AND LOCAL AUTHORITIES ON FARMERS TO DELIVER. DEPENDING ON THE LEVEL OF DISTRIBUTION OF RICE THROUGH GOVERNMENT CO-OPS THAT THE GUB CHOOSES (NOW AT RATE OF 100,000 TONS PER MONTH) AND ON THE SIZE OF THE RESERVE STOCK DESIRED, THE GUB MAY BE IN A POSITION TO EXPORT AS MUCH AS 500,000 TONS THIS YEAR.

3. DESPITE THE GOVERNMENT'S RESTRICTIONS ON FREE TRADE IN RICE, THE PRIVATE MARKET CONTINUES TO THRIVE. COSTS, HOWEVER, ARE UP SINCE TRADERS MUST BRIBE THEIR WAY THROUGH ROAD BLOCKS, ETC., AND BLACK MARKET RICE RETAILING FOR 50-60 KYAT PER BASKET IN PROME CONTINUES TO SELL FOR K100 PER BASKET IN RANGOON. SINCE THE DECEMBER DISTURBANCES, SUPPLIES AVAILABLE IN THE GOVERNMENT CO-OPS HAVE BEEN INCREASED ALTHOUGH THE QUALITY IS POOR (MUCH OF THE RICE DAMAGED IN JANUARY'S UNSEASONABLE RAINS HAS QUICKLY FOUND ITS WAY TO THE CO-OPS). PREDICTABLY, FARMERS HAVE TRIED WITH SOME SUCCESS TO PEDDLE THEIR POORER QUALITY PADDY TO THE GOVERNMENT PURCHASE CENTERS, RESERVING THEIR BETTER QUALITY PRODUCT FOR THE MORE LUCRATIVE PRIVATE MARKET.

4. SHOULD RICE BECOME AVAILABLE FOR LEGAL EXPORT (A CONSIDERABLE BUT UNKNOWN QUALITY OF RICE ALREADY IS BEING SMUGGLED INTO BANGLADESH), THE GUB MAY BE UNDER PRESSURE FROM THE PRC AND INDONESIA TO MEET PREVIOUS COMMITMENTS AS YET UNFULFILLED. TO DATE, HOWEVER, WE ARE AWARE ONLY OF NEGOTIATIONS UNDER WAY WITH MAURITIUS, A TRADITIONAL BUYER, FOR THE SALE OF SOME 20,000 - 30,000 TONS. (WEEKA NO. 11, ITEM 4).
OSBORN UNQUOTE KISSINGER

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